


CMA Financial Overview Update #3

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Contents

- I. Background
- II. Financial Challenges:
 - A. Cost Recovery
 - B. Capacity to Finance Project Cash Flow Requirements from Exchange Fund
- III. Conclusions

²



I. Background

At the ALC meeting one year ago, staff presented a financial overview of the CMA which covered:

- ♦ A five-year historical review of revenues and expenses
- ♦ Financial challenges facing the CMA:
 1. Adequate cost recovery
 - Indirect Costs
 - Core Function Costs
 2. Adequate capacity to finance project related cash flow requirements

The Committee requested quarterly updates on progress in meeting those financial challenges

3



Background (continued)

- October 15, 2007 – first financial overview
- January 14, 2008 – first quarterly update
- April 14, 2008 – second quarterly update
- October 13, 2008 – this third quarterly update will provide information on:
 1. A brief review of the previous five years
 2. Progress in meeting financial challenges
 3. Cash flow projections for Exchange Fund

4

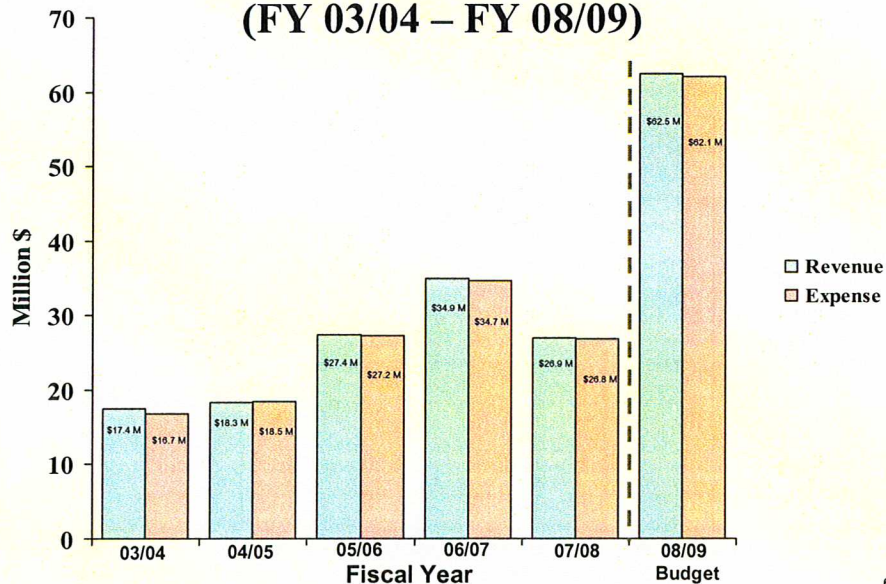


A Brief Review of the Previous Five Years

- CMA Revenues and Expenses
 - ◆ General Fund Revenue - Composition
 - ◆ General Fund Expenses - Composition

5

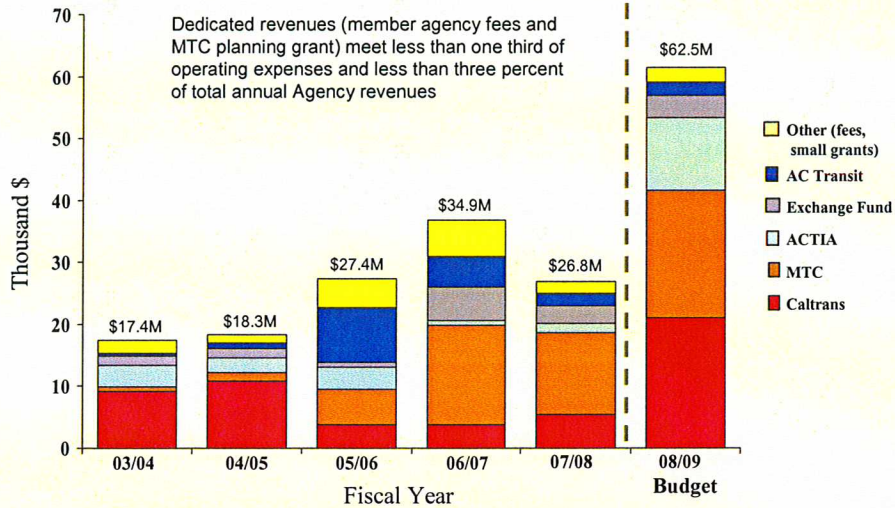
CMA Revenues and Expenses (FY 03/04 – FY 08/09)



Source: ACCMA Financial Statements, FY 08/09 Adopted Budget

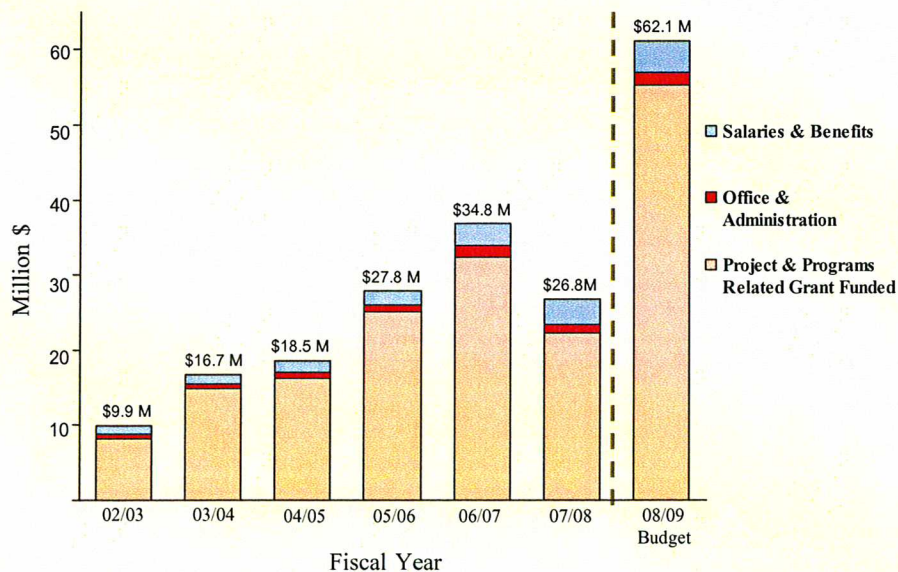
6

General Fund Revenues - Composition



7

General Fund Expenses - Composition



8

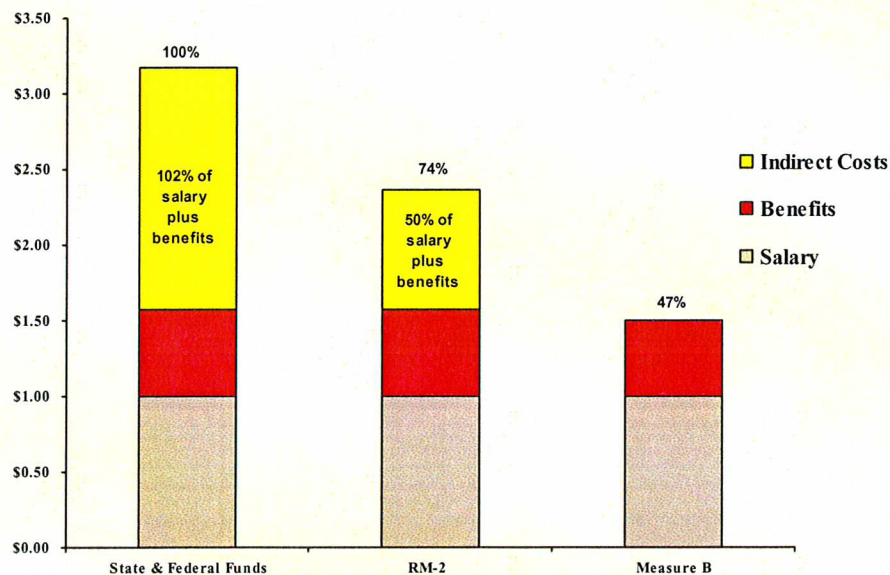


II. Financial Challenges

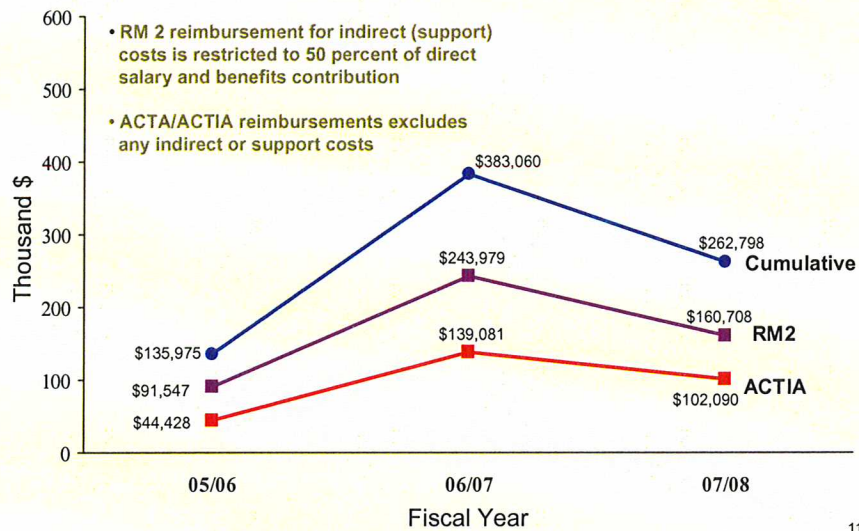
- Cost Recovery:
 - 1) Indirect Cost Recovery – RM2 and ACTIA Projects
 - 2) Core Function Costs
 - 3) Indirect Cost Recovery Rate
- Capacity to Finance Project Cash Flow Requirements from Exchange Fund

9

Recovery of CMA Indirect Costs by Fund Source

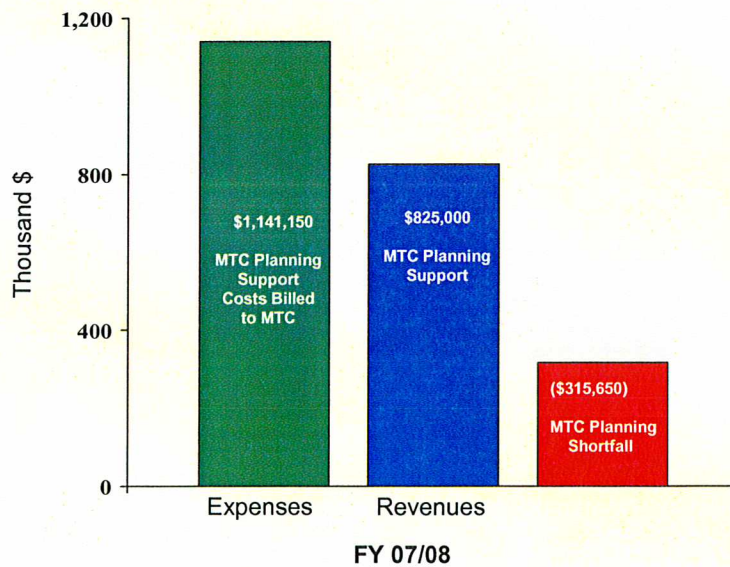


Challenge #1: Unreimbursed Indirect Costs: RM2 and ACTIA Projects



11

Challenge #2: Cost Recovery on MTC Planning Support Activities



12



Challenge #3: Indirect Cost Recovery Rate

Good News:

- Caltrans approved indirect cost allocation rate reduced from 1.31 ratio to 1.02

Implications:

- Additional staff hours can be devoted to each project to ensure timely delivery
- However, for every \$1000 of staff costs charged to a grant, we receive \$290 less than under the previous rate. Annually, this translates into a reduction of approximately \$690,000 in recoverable costs.

13



Progress in Meeting Financial Challenges: Cost Recovery

- Maximize indirect cost recovery
 - ◆ Where possible, project funding mix has been configured to enable higher recovery of indirect costs
 - ◆ Staff utilization is being carefully monitored to ensure optimal cost recovery.
 - ◆ Be selective in undertaking projects in which full recovery of indirect costs is restricted.

14



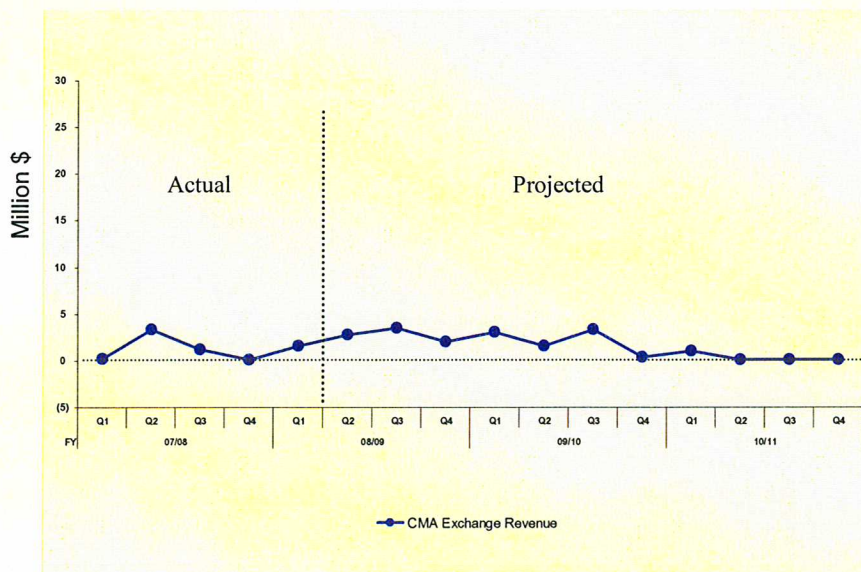
Challenge #2: Capacity to Finance Project Cash Flow Requirements

The CMA's monthly cash flow requirements to fund projects require sufficient resources to finance the "float" required between invoice payment and receipt of reimbursement. In most instances, the CMA is required to use the Exchange Fund (CMA-TIP) as the short-term source of funds to finance this month-to-month float.

To evaluate the adequacy of the Exchange Fund, staff updates the forecast of Fund revenues and expenditures on a monthly basis and compares the resultant Fund balance to our project financing requirements.

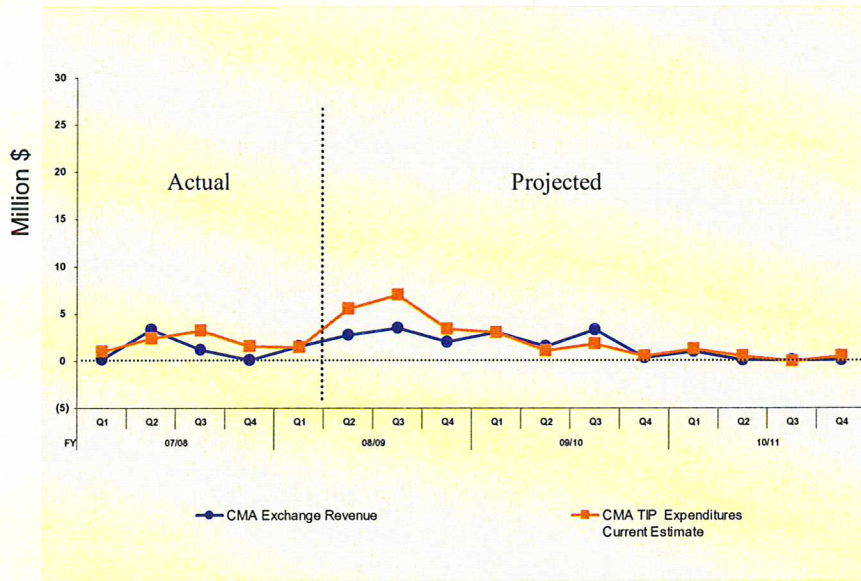
15

Exchange Fund Revenue



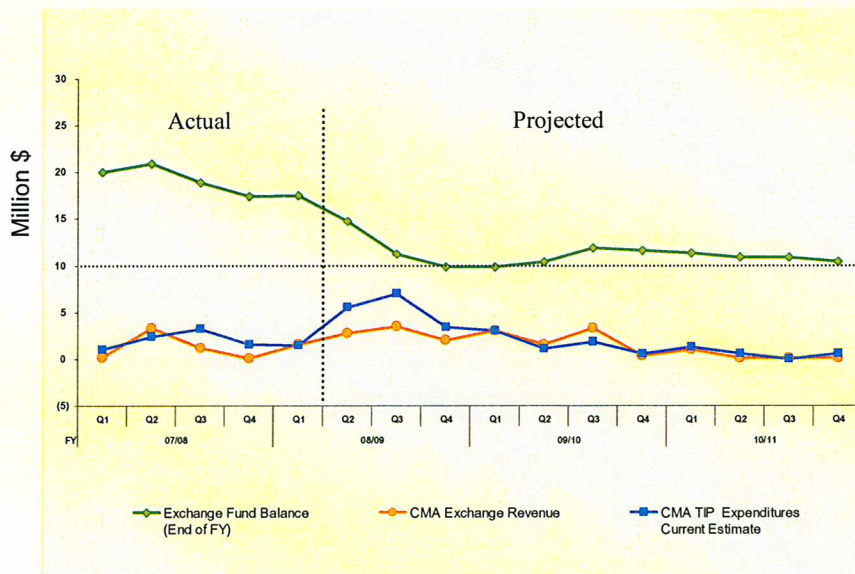
16

Exchange Fund Revenue & Expenditures



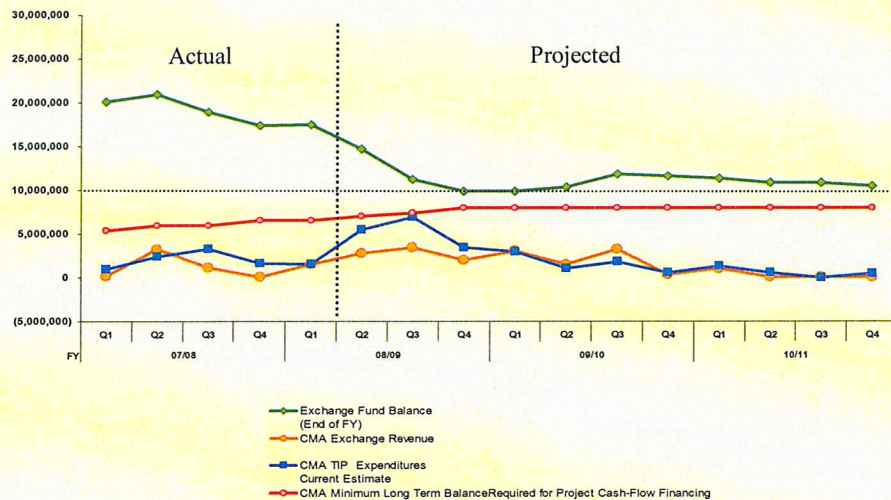
17

Exchange Fund Balance



18

Exchange Fund Balance vs. Financing Needs



19



III. Conclusions

➤ Near Term:

- ◆ In order to achieve a balanced budget the CMA must achieve staff utilization rates (reimbursable staff costs from grants) that help support our legislatively mandated activities along with our administrative and overhead costs.
- ◆ Indirect cost recovery must be maximized through the optimization of project and program funding mix and monitoring of staff utilization rates.
- ◆ Administrative and overhead costs must be carefully controlled and managed.
- ◆ Possible additional staff required to maximize cost recovery and ensure timely project delivery.

20



Conclusions

➤ Long Term:

- ◆ CMA should seek additional planning support revenue from MTC to fully cover mandated activity costs.
- ◆ Administrative cost controls along with a focus on project utilization rates will, over time, allow the CMA to develop a “contingency” reserve to support project financing requirements.